NEW-WEST MANAGEMENT GROUP SDN BHD & ANOR A

v.

NG AH KOW & ANOR

HIGH COURT MALAYA, KUALA LUMPUR B
RAMLY ALI J
[SUIT NO: D5-22-1090-2007]
9 JANUARY 2008

CIVIL PROCEDURE: *Injunction - Interlocutory injunction - Application for - Restraining defendants from passing off trade the name and style similar to plaintiff's business - Whether ownership of business between plaintiffs and defendants have passed - Whether agreement showed goodwill and name transferred to plaintiffs - Provisions of Medical Act 1971 - Whether prohibits body corporate from owning clinics - Whether sale of business with goodwill - Whether facts fall within exceptions under s. 28 of Contracts Act 1950 - Whether restraint or limitation imposed on defendants under agreement reasonable having regard to nature of business - Balance of convenience - Whether in favour of granting interlocutory injunction* C D E

TRADEMARKS: *Goodwill - Whether sufficiently established - Restraining defendants from passing off trade the name and style similar to plaintiff's business - Whether ownership of business between plaintiffs and defendants have passed - Whether agreement showed goodwill and name transferred to plaintiffs - Provisions of Medical Act 1971 - Whether prohibits body corporate from owning clinics - Whether sale of business with goodwill - Whether facts fall within exceptions under s. 28 of Contracts Act 1950 - Whether restraint or limitation imposed on defendants under agreement reasonable having regard to nature of business - Balance of convenience - Whether in favour of granting interlocutory injunction* F G

The plaintiff's application before this court (encl. 4) was for an interlocutory injunction to restrain the defendants, *inter alia*, (i) from passing off or attempting to pass off or being associated H and connected therewith by the use in the course of trade the name and style 'Ng-Lee Medical Centre' or any name or style which was confusingly or deceptively similar to the first plaintiff's business identified in reference to the 'Klinik Ng dan Lee' by any acts whatsoever and (ii) an order that the defendants take all I necessary steps to withdraw and remove the signage outside their

premises bearing the name and style 'Ng-Lee Medical Centre' and remove all references to the said name 'Ng-Lee Medical Centre' in any of their documents, correspondences, stationary. Briefly, the facts were that the plaintiffs had acquired the business of 'Klinik Ng dan Lee' including the goodwill and reputation attached thereto from a certain K&V Sdn Bhd, whose shareholders were the defendants. There were various agreements entered between the plaintiffs and the defendants as well as companies to which the defendants had shareholdings to regulate the sale and transfer of the business operating under the name and style 'Klinik Ng dan Lee.' Substantial sums were paid in consideration to the defendants under these various agreements and there were various other terms which included an agreement in restraint of trade which was in consideration for the transfer of the goodwill associated with the business under the name and style 'Klinik Ng dan Lee.

The first defendant had continued to practice in the clinics identified under the said name owned by the first plaintiff until 31 December 2006 while the second defendant had practiced there until September 2005. Subsequent to the non-renewal of the services of the first defendant, a business under the name 'Ng-Lee Medical Centre' was set up by the defendants despite the agreements entered into with the plaintiffs. The plaintiffs submitted that the acts of the defendants above tantamount to a passing off and breach of contract and as a result of the acts of the defendants, the plaintiffs have and would suffer loss and damage to their trade, reputation and goodwill. The plaintiffs further submitted that unless restrained by this court, the defendants threatened and intended to continue with the said acts. The defendants contended that the plaintiffs, being body corporate, could not hold ownerships of clinics and that s. 28 of the Contracts Act 1950 would prevent the plaintiffs from enforcing their agreement with the defendants in restraint of trade.

Held:

(1) The business identified with reference to the name and style 'Klinik Ng dan Lee' had been transferred by the defendants to K&V Sdn Bhd which was then transferred to the plaintiffs. It was clear that ownership had passed. A sum in the tune of more than RM5,000,000 was paid to the defendants as reflected in the various shareholder agreements. The agreement

also showed that the goodwill and name had been transferred to the plaintiffs. After pocketing this consideration, the defendants could not now state that the agreements were void or did not include the transfer of the business as this was clearly reflected in the various agreements entered into between the parties. (para 90)

(2) The provisions of the Medical Act 1971 and the PHFSA do not prohibit body corporate from owning clinics. While registered medical practitioners should practice in the said clinic and the licences were issued under such names, there is nothing in law, which prohibits body corporate from owning private medical clinics. There was also acknowledgment on the part of the defendants that the practice identified with reference to the name and style 'Klinik Ng dan Lee' had been transferred to the plaintiffs. This took the form of the acceptance of salaries from the plaintiffs when they were practicing in the said clinic. (para 90)

(3) There was a sale of business with goodwill. The plaintiffs have carried on the business that they had acquired. This would bring the facts within one of the exceptions envisaged by s. 28 of the Contracts Act 1950 which states that one who sells the goodwill of a business may agree with the buyer to refrain carrying on a similar business, within specified local limits, so long as the buyer, or any person deriving title to the goodwill from him, carries on a like business therein, provided that such limits appear to the court reasonable, regard being had to the nature of the business. Such restraint or limitation imposed on the defendants under the said agreement was reasonable having regard to the nature of the business. Therefore the defendants' argument on this issue was without merit. (paras 74, 75 & 76)

(4) The balance of convenience lay heavily in favour of granting the interlocutory injunction as it would preserve *status quo* until the matter is finally dispensed with at the trial. The plaintiffs' long established reputation and goodwill would be preserved and prevented from being dissipated with the grant of the interlocutory injunction. The reputation and goodwill established as a result of the quality of the plaintiff's services would further not be lost and their position in the market they

had established through long standing presence would not be unlawfully appropriated. The prejudice to the defendants on the other hand would be minimal. (paras 92 & 93)

[Order accordingly.]

Case(s) referred to:

Annabel's (Berkeley Square) Limited v. G Schock (trading as Annabel's Escort Agency) [1972] RPC 838 ***(refd)***
American Cyanamid v. Ethicon [1975] LR (HL) 396 ***(refd)***
Aubanel and Alabaster Ld v. Aubanel 66 RPC 343 ***(refd)***
Burberry's v. JC Cording & Co Ltd [1909] 26 RPC 693 ***(refd)***
Erven Warnink v. Townend & Sons [1979] 2 All ER 927 ***(refd)***
Erven Warnink v. Townend [1980] RPC 31 ***(refd)***
Evans Marshall & Co Ltd v. Bertola SA [1973] 1 All ER. ***(refd)***
Fletcher Challenge Ltd v. Fletcher Challenge Pty Ltd & Others [1981] 1 NSWLR 196 ***(refd)***
FW Woolworth & Co Ld v. Woolworths (Australasian) Ltd [1930] RPC 337 ***(refd)***
Hunter Douglas Industries BV & 3 Ors v. Lim Hong Joo Sdn Bhd and Johnny Maing (trading as YODO Industries) & 10 Ors [1991] 1 CLJ 750 ***(refd)***
I N Newman Ltd v. Richard T Adlem [2006] FSR 16 ***(refd)***
IRC v. Muller & Co's Margarine Ltd [1901] AC 217 ***(refd)***
Keet Gerald Noel John v. Mohd Noor [1995] 1 CLJ 293 ***(refd)***
Reckitt & Colman Products Ltd v. Borden Inc & Ors [1990] 1 All ER 873
Reddaway v. Banham [1896] AC 199 ***(refd)***
Rego v. Hunt [1986] AC 7 ***(refd)***
Seet Chuan Seng v. Tee Yih Jia Foods Manufacturing Pte Ltd [1994] 2 MLJ 770 ***(refd)***
Sodastream v. Thorn Cascade Co Ltd & Another [1982] RPC 459 ***(refd)***
Star Industrial Co Ltd v. Yap Kwee Kor [1976] 2 FSR 256 ***(refd)***
Syarikat Zamani Hj Tamin Sdn Bhd & Anor v. Yong Sze Fun & Anor [2006] 5 MLJ 262 ***(refd)***

Legislation referred to:

Contracts Act 1950, ss. 24, 28
Medical Act 1971, ss. 20, 20(7)(d), 33(1)(f)

Other source(s) referred to:

Wadlow's, *Law of Passing-Off*, 3rd edn, 2004, p 220

For the plaintiffs - S Indran; M/s Shearn Delamore
For the defendants - SK Cheong; M/s SK Cheong

Reported by Suhainah Wahiduddin

JUDGMENT

Ramly Ali J:

The Plaintiff's Application

[1] The plaintiff's application before this court (*vide* - encl. 4) is for an interlocutory injunction seeking for the following interim orders:

(i) An Interlocutory Injunction to restrain the defendants from doing the following acts:

(a) Passing-off or attempting to pass-off or causing, enabling or assisting others to pass-off the healthcare, medical and/or clinical services, not being the healthcare, medical and/or clinical services of the first plaintiff as and for the said services of the first plaintiffs or being associated and connected therewith by the use in the course of trade the name and style "Ng-Lee Medical Centre" or any name or style which is confusingly or deceptively similar to the first plaintiff's business identified reference to the "Klinik Ng dan Lee" by any acts whatsoever;

(b) Either directly or indirectly providing whether as shareholder, partner, consultant, employee or in whatsoever capacity any services which are in competition with the healthcare, medical, clinical and/or other services with the services provided by the Plaintiffs or any of their related companies;

(c) Assisting, aiding or abetting any other party or parties in doing any of the acts prohibited in paras. 1(a), (b) above.

(ii) An Order that the defendants shall with immediate effect take all necessary steps to withdraw and remove the signage outside their premises bearing the name and style "Ng-Lee Medical Centre" and remove all references to the said name "Ng-Lee Medical Center" in any of their documents, correspondence, stationary.

(iii) Costs.

(iv) Such other relief that this court deems just and fit.

(However, at the outset of the hearing of the application, the plaintiff's counsel indicated that the plaintiff will not proceed with prayer i (b) of encl. 4 at the present interim interlocutory stage).

[2] The plaintiff's cause of action is in passing - off and breach of contract. The grounds for making this application are as follows:

(a) The first plaintiff acquired the business of "Klinik Ng dan Lee" including the goodwill and reputation attached thereto;

(b) The plaintiffs entered into various agreements including with the defendants as well as companies to which the defendants had shareholdings to regulate the sale and transfer of the business operating under the name and style "Klinik Ng dan Lee";

(c) There were various terms which included an agreement in restraint of trade which was in consideration for the transfer of the goodwill associated with the business under the name and style "Klinik Ng dan Lee";

(d) The first defendant continued to practice in the clinics identified under the name and style "Klinik Ng dan Lee" owned by the first plaintiff until 31 December 2006 and the second defendant until September 2005;

(e) The defendants then set up a business under the name "Ng-Lee Medical Centre" despite the agreements entered into with the plaintiffs;

(f) The acts of the defendants referred to above tantamount to passing-off and breach of contract;

(g) As a result of the acts of the defendants as stated above the plaintiffs have and will suffer loss and damage to their trade, reputation and goodwill;

(h) Unless restrained by this court, the defendants threaten and intend to continue with the acts stated above.

[3] The defendants have premised their entire defence based on the following contentions:

(i) That the plaintiffs being body corporate cannot hold ownerships of clinics. Various provisions of the Private Healthcare Facilities and Services Act 1998 (PHFSA) and the Medical Act 1971 were cited in support;

(ii) Section 28 of the Contracts Act 1950 would prevent the plaintiffs from enforcing their agreement with the defendants in restraint of trade.

(It is important to observe that the defendants had not taken sufficient steps to address the issues of passing-off which formed the essence of the plaintiffs' case against them.

Plaintiffs' Case

[4] The first plaintiff is in the business of owning and operating general medical practices and other related medical services whereas the Second Plaintiff is in the business of investment holding and provisions of management services.

[5] In the course of their business, the First Plaintiff acquired the business of "Klinik Ng dan Lee" including the goodwill and reputation attached thereto from a certain K&V Sdn Bhd. At the time of the said acquisition, the only shareholders of K&V Sdn Bhd were the Defendants.

[6] There were various agreements entered between the plaintiffs and the defendants as well as companies to which the defendants had shareholdings to regulate the sale and transfer of the business operating under the name and style "Klinik Ng dan Lee".

[7] Substantial sums were paid in consideration to the defendants under these various agreements entered for the acquisition of the business. The manner of payment of this consideration was set out in the various agreements entered into between the plaintiffs and defendants. The payment of consideration took the form of firstly an issuance of shares in the first plaintiff to the defendants followed by a purchase of those shares by the second plaintiff. The amount of consideration which passed to the defendants from the various agreements was eventually in excess of RM5,000,000. This amount was paid in trenches, as at the time of the acquisition of the business identified with reference to "Klinik Ng dan Lee" in 2000, it was a major group practice.

[8] There were various other terms which included an agreement in restraint of trade which was in consideration for the transfer of the goodwill associated with the business under the name and style "Klinik Ng dan Lee".

[9] The defendants continued to practice in the clinics identified under the name and style "Klinik Ng dan Lee" owned by the first plaintiff until January 2007 when the services of the first defendant was not renewed. It is however important to note that after the acquisition of the business identified with reference to "Klinik Ng dan Lee", the position of the defendants in the business and the practice was at best that of shareholders and eventually only as employees.

[10] The practice continued at the previous premises to ensure that the goodwill and reputation attached to the business that was acquired continued to be enjoyed by the plaintiffs.

[11] Subsequent to the non-renewal of the services of the first defendant, the first plaintiff was given notice to vacate the premises of "Klinik Ng dan Lee" operating from their Jalan Pudu branch.

[12] The defendants then set up a business under the name "Ng-Lee Medical Centre" despite the agreements entered into with the plaintiffs. "Ng-Lee Medical Centre" operated out of the same Jalan Pudu premise previously occupied by the first plaintiff. The plaintiffs claim that in addition to the fact that "Ng-Lee Medical Centre" carried a name and style, which was confusingly and deceptively similar to the trade name "Klinik Ng dan Lee", the setting up of "Ng-Lee Medical Centre" was in clear disregard of the defendants' agreement not to compete with the business of the plaintiffs.

Defendants' Case (Based On The First Defendant's Affidavits)

[13] The defendants should be allowed to retain rights to the name "Ng and Lee" as it represented their names. They were the original owners of the business identified with reference to "Klinik Ng dan Lee" until the business was sold to K&V Sdn Bhd.

[14] The defendants claimed that there was a collateral contract between the defendants and K&V Sdn Bhd where although the business in relation to the clinic identified with reference to "Klinik Ng dan Lee" was transferred to K&V Sdn Bhd together with the goodwill associated with the clinic, they retained the rights to the name in their personal capacity. The basis for the defendants' contention is that they had to own the names as only registered medical practitioners could own and practice at clinic.

[15] The transfer of the business from K&V Sdn Bhd to the first plaintiff was also subject to the said collateral contract.

[16] The plaintiffs could not claim ownership over the name "Klinik Ng dan Lee" as they were not registered medical practitioners.

[17] That the first defendant was unlawfully dismissed by the plaintiffs and in settlement for the dismissal, the plaintiffs and the first defendant entered into a Memorandum of Understanding where the parties were exonerated from all claims relevant to the contract.

[18] The public associates the names "Ng and Lee" with them and it is the Plaintiffs that have been indulging in acts of passing-off.

[19] There were no serious issues to be tried.

Court's Initial Observations

[20] It is clear from the stand that the defendants have taken in Ng's affidavit that they are not disputing the fact that the business in relation to "Klinik Ng dan Lee" was transferred to the first plaintiff. They are not disputing the fact that the transfer included a transfer of the goodwill attached to the business. This is in fact set out in the Sale of Business Agreement (SBA) attached both in plaintiffs' affidavit as well as Ng's affidavit. The defendants are also not denying that they had been paid substantial sums in the various agreements entered for the transfer of the business.

[21] What the defendants are however saying is that despite receiving and benefiting from a handsome consideration received from the second plaintiff (in excess of RM5,000,000) for the sale of the practice, they were and are free to continue to use the name "Ng and Lee" in the manner that they now have decided to do and in direct competition with the plaintiffs. They have premised their contentions on the fact that they are merely using their own names and only registered medical practitioners can own clinics. They have further alleged the existence of a collateral contract, which allowed them to retain rights to the name "Ng and Lee". The plaintiffs argue that these contentions by the defendants cannot be accepted for the following reasons:

(i) In law, the *bona fide* usage of one's own name is permissible. However in this case, the conduct of the defendants have been far from being *bone fide*. They have agreed to sell their business including the goodwill and reputation attached to it. This needless to say is identified with reference to the name and style "Klinik Ng dan Lee". In fact the Sale of Business Agreement specifically mentioned the transfer of the name. Under such circumstances, if the defendants were allowed to continue to use the name "Ng and Lee" after receiving substantial consideration for it, it would in effect frustrate the very subject matter that they had transferred to the plaintiffs. The alleged collateral contract mentioned by the defendants is on the facts not consistent with the various agreement entered between the parties. This begs the question as to how could the defendants state that they could have rights to the name when the name was specifically transferred under the Sale of Business Agreement which the defendants are not disputing and to which the first defendant was a signatory to.

(ii) On the second contention, the plaintiffs rely on the facts presented in Karim's 2nd affidavit with particular reference to para. 6 and exhs. KD11 and KD12 to show that the application and registration forms set out therein clearly show that corporate bodies could own clinics. Although the doctors practising there have to be identified as registered medical practitioners, there is no necessity for the said doctors to own the clinics and the practices. In fact, this point is acknowledged by the defendants themselves, when they sold their practice to K&V Sdn Bhd who subsequently sold it to the plaintiffs. The important question to be posed to the defendants is why sell the practice if the purchaser is not in a position to own or benefit from it, unless of course the intentions of the defendants are fraudulent for which the court should not recognize and entertain.

Applicable Law For An Interlocutory Injunction

[22] In deciding whether an interlocutory injunction should be granted, the following criteria, which is spelt out in the landmark case of *American Cyanamid v. Ethicon* [1975] LR (HL) 396 at p. 407 has to be satisfied:

(i) serious issue to be tried;

(ii) balance of convenience favours the grant of an injunction;

(iii) damages would not be an adequate remedy.

The following approach has been accepted and adopted by the Court of Appeal in *Keet Gerald Noel John v. Mohd Noor* [1995] 1 CLJ 294.

Court's Considerations

Serious Issues To Be Tried

[23] The issues to be tried in the present application are the following:

(i) passing-off.

(ii) breach of contract

In the interest of clarity and completeness each would be dealt with in turn.

Passing Off

[24] To show passing-off, the Plaintiffs would have to satisfy the requirements set out in the classic House of Lords cases of *Erven Warnink v. Townend & Sons* [1979] 2 AllER 927 and *Reckitt & Colman Products Ltd v. Borden Inc & Ors* [1990] 1 All ER 873. These cases were adopted in the earlier decision of this court in *Syarikat Zamani Hj Tamin Sdn Bhd & Anor v. Yong Sze Fun & Anor* [2006] 5 MLJ 262 where the criteria was set out as follows at p. 288:

(i) the claimant would have to show goodwill and reputation;

(ii) the actions of the defendants are likely to and/or have actually caused misrepresentation;

(iii) damages have been suffered as a result.

This formula has also been accepted and adopted by the Supreme Court in the case of *Seet Chuan Seng v. Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770.

[25] Thus in order for the plaintiffs to have a cause of action, they would be required to show that they have goodwill and reputation in their business which is identified by reference to the trade name "Klinik Ng dan Lee" and that goodwill and reputation

A has been damaged by the misrepresentation of the defendants. For ease of reference, the court shall consider these criteria and conditions each in turn.

Goodwill

B **[26]** From a consideration of the Ng's affidavit, it is clear that the Defendants have misunderstood the nature of the property protected in a passing-off action. The defendants have taken the position that they have the rights to the name "Ng and Lee" as they represent their names. The court is of the view that the C name and style "Klinik Ng dan Lee" is a badge of the goodwill and reputation in the business that they had acquired and the property protected in a passing-off action is indeed that goodwill and reputation. A consideration of the cases below would show and lend support to the said view. D

[27] It is important to note and stress that the property protected in a passing-off action is the goodwill and reputation associated to the business. This is clearly set out in various decisions of the courts and also in the case of *Erven Warnink v. Townend* [1979] 2 All ER 927. In the case of *Syarikat Zamani Hj Tamin & Anor v. Yong Sze Fun & Anor (supra)*, this issue was considered extensively which is set out as follows: E

> In the case of *Spalding (AG) & Bros v. AW Gamage* it was held by Lord Parker that the property that was protected in a passing-off suit is goodwill. At p. 284 his Lordship said: F
>
> > there appears to be a considerable diversity of opinion as to the nature of the right, the invasion of which is subject of what are known as passing-off actions. The more general G opinion appears to be that the right is a right of property. The view generally demands an answer to the question-property in what? Some authorities say property in the mark, name or get-up improperly used by the Defendant. Others say, property in the business or goodwill likely to be injured by the misrepresentation. Lord Herschell in H *Reddaway v. Banham* expressly dissents from the former view; and if the right invaded is a right of property at all, there are, I think, strong reasons for preferring the latter view.
>
> Parker J in *Burberry's v. JC Cording & Co. Ltd* [1909] 26 RPC 693 I at 701 said:

> If an injunction be granted restraining the use of a word or name, it is no doubt granted to protect property, but the property to protect which it is granted is not property in the word or name but property in the trade or goodwill which will be injured by its use.
>
> This position that the right to be protected in a passing-off suit is the goodwill in the business was subsequently accepted in the Privy Council decision of S*tar Industrial Co Ltd v. Yap Kwee Kor* [1976] 2 FSR 256 at 269 and in the decision of Erven Warnink.
>
> It is clear from the above description that goodwill is the benefit added to the business through extensive trading operations which attracts custom. The trade mark or get-up is the badge and indicia that indicates and identifies the goodwill and the business.

[28] Lord Herschell in *Reddaway v. Banham* [1896] AC 199, 209 said:

> The word "property" has been sometimes applied to what has been termed a trademark at common law. I doubt myself whether it is accurate to speak of there being property in such a trademark though no doubt some of the rights which are incident to property may attach to it.

[29] It is thus abundantly clear that the defendants' contention that they own rights in the name cannot be accepted. They have admitted that the goodwill in relation to the business has been transferred to the first plaintiff. As there is no property in a name *per se* under passing-off, it is the plaintiffs and not the defendants who have a property to protect and enforce.

[30] On the argument of a collateral contract as alleged by the defendants, the court finds that this argument cannot be supported on the facts or in law. Firstly in the Sale of Business Agreement set out in KD1 of Karim's 1st affidavit, it is clear that the transfer included the name of the business. The name of the business is "Klinik Ng dan Lee" and this is not disputed. It is further important to observe and not to forget that the first defendant was a signatory to the said agreement. There could only be 2 possible explanations for this. Firstly, there was no collateral contract at all as it is inconsistent with the express terms in the SBA. Secondly, if there was a collateral contract, which is denied, the act of the first defendant in executing the SBA is a fraudulent

activity. It begs the question as to how the first defendant could agree to transfer the goodwill and the name when he was fully aware of a collateral contract. In either scenario, the defendants should not be allowed to benefit from their actions.

[31] In any event even if there were a perfectly legitimate collateral contract and the acts of the defendants were not fraudulent, the position that the defendants are taking in suggesting that they have rights to the name, cannot be sustained in law. All the cases highlighted above clearly demonstrate and are consistent with the principle that there is no property right in a name under the law of passing-off. The property that is protected in a passing-off action is goodwill.

[32] The undisputed evidence has shown that the goodwill has been assigned to the first plaintiff and thus it is the plaintiff's and not the defendants who have the right to an action in passing-off. In of *I N Newman Ltd v. Richard T Adlem* [2006] FSR 16, the Court of Appeal considered the effect of an assignment relying of Wadlow's *Law of Passing-Off* (3rd edn. 2004 p. 220):

> As against the world at large, the effect of an assignment of goodwill with the business to which it relates is to put the assignee in the position formerly enjoyed by the assignor, notwithstanding that the public may to some extent have associated the business assigned with the former personality.

[33] Taking this argument into account, it is clear that the goodwill resides with the plaintiffs. The defendants contention that the public would still be looking for them, does not hold weight, simply because that part for which they are claiming rights to have been assigned to the plaintiffs.

[34] What then is "goodwill". "Goodwill" was defined by Lord Macnagthen as the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old established business from a new business at its first start. The get-up, trade mark or trade name is the badge of the plaintiffs' goodwill and that which associates the services of the plaintiffs with the plaintiffs in the minds of the public (*IRC v. Muller & Co's Margarine Ltd* [1901] AC 217 at 223).

[35] It is certainly not a disputed fact that the business identified by reference to "Klinik Ng dan Lee" has significant goodwill and reputation. This is supported by the extensive revenue generated by the business and is not denied by the defendants. In fact large sums of money have been paid by the plaintiffs to the defendants to acquire the business and the goodwill and reputation attached thereto. This is thus a valuable asset, which is worth protecting.

Misrepresentation

[36] Moving on to the issue of misrepresentation, the plaintiffs need to establish that the misrepresentation was made in the course of trade to prospective customers and calculated to injure the goodwill and reputation of the plaintiffs. It is not disputed in the present case that the defendants have set up "Ng-Lee Medical Centre". It is further not disputed that this has been communicated to the public at large. The issue here is two-fold. Firstly whether the acts of the defendants amount to actionable misrepresentation and secondly whether ordinary sensible members of the trade would be confused into believing that the defendants services are associated with the plaintiffs when confronted with the defendants trade name.

[37] The defendants contention is that they are merely using their own names and thus they are fully entitled to do so and it was the plaintiffs that were committing acts of passing-off. In reply to this assertion, the court is of the view that there is no property in a name unless accompanied with ownership in the goodwill and reputation attached to the business to which the name has been used. As set out above, on evidence that has not been disputed, that goodwill has been transferred to the first plaintiff by virtue of the various agreements entered into by the parties. To avail themselves of the defence of the usage of their own names, it is incumbent on the defendants to show good faith.

[38] On the evidence presented, it is clear that there has not been good faith on the part of the defendants. The plaintiffs had in fact paid substantial sums of money (in excess of RM5,000,000) to the defendants for the purchase of the business. It has to be observed that the substantial part was paid for the goodwill of the business identified by reference to the name "Klinik Ng dan Lee". After receiving and accepting such a handsome consideration for the business goodwill which no doubt includes the name "Klinik

Ng dan Lee", it would be certainly both unfair, inequitable and unkind if the defendants should now be allowed to set up a business in complete and direct competition with the plaintiffs using the name "Ng-Lee". This is a classic instance of passing-off and breach of contract.

[39] A few issues arise out of the contentions of the plaintiffs and the defendants. These are as set out below. Firstly as seen above, the property protected under the law of passing-off is the goodwill in the business. This is further emphasized in the case of *I N Newman Ltd v. Richard T Adlem (supra)* where Jacob LJ in the Court of Appeal stated as follows:

> It is trite English law that there is no property in a name as such. But there is property in the goodwill attached to a name. That goodwill is a species of property and that is the right in that property which is protected by the law of passing-off. So much was settled long ago. Perhaps the best explanation of the history is that provided in *Erven Warnink v. Townend* [1980] RPC 31 at 92.

[40] It is important to bear in mind that the decision of *Erven Warnink v. Townend (supra)* had been accepted in the Malaysian Supreme Court decision of *Seet Chuan Seng v. Tee Yih Jia Foods Manufacturing Pte Ltd (supra)* and by this court in *Syarikat Zamani Hj Tamin & Anor v. Yong Sze Fun & Anor* [2006] 5 MLJ 262.

[41] The defendants contended that they were fully entitled to use the name "Ng-Lee Medical Centre" as it denoted their own names. This too cannot be supported by the various authorities, which would be set out below. The court will start of with the case of *I N Newman Ltd v. Richard T Adlem (supra)*. Given the almost parallel nature of the facts of that case with the facts of the present case, it would be useful to examine the brief facts of that case.

[42] In *I N Newman Ltd v. Richard T Adlem (supra)*, the respondent/defendant had sold his funeral business identified with reference to his own name "Richard T Adlem", to the plaintiffs while continuing to assist the Plaintiff in the business. This happened in 1993. Sometime in 2001, the defendant recommenced his funeral business under his own name and in competition with the plaintiff. In deciding for the plaintiff, the court had the following to say at p. 3:

> Once the respondent had assigned the goodwill in the funeral business, it was not open to him after the expiry of the restrictive covenant to start a fresh business under exactly the same name without more. He was under a duty to make absolutely clear that the two businesses were distinct. Unless he did so, he would be bound to cause a substantial number of people to believe that he was conducting the original business when in fact that was not so. Having sold the goodwill, the respondent was under a duty not to undermine it. He could compete lawfully after the expiry of the covenant but had to take particular care in how he used his own name.

The court also held as follows:

> A man who had sold his business and goodwill could not derogate from that goodwill.

[43] From the undisputed facts of the present case, the following is clear. The goodwill in the business identified with reference to "Klinik Ng dan Lee" had been transferred to the first plaintiff. The defendants in Ng's affidavit have not denied this. In fact, the defendants have reinforced this point. Secondly, the defendants have not tried to distance themselves from the plaintiffs and have instead asserted in Ng's affidavit that it is the plaintiffs who are committing acts of passing-off. Thirdly the defendants should not be allowed to derogate from the goodwill that they have sold. In this case, if the defendants were allowed to continue with "Ng-Lee Medical Centre", which by their own admission is similar to "Klinik Ng dan Lee", it would undermine the very goodwill that they have sold to the first plaintiff. It is trite law that goodwill is identified with reference to a name, badge get up or identifier (*Syarikat Zamani Hj Tamin & Anor v. Yong Sze Fun & Anor (supra)*). By using a confusingly similar name and style, the Defendants in effect have sought to take unfair advantage of the goodwill and reputation that they had transferred to the First Plaintiff and at a significant consideration at that.

[44] The defendants have sought to argue that their continued presence at the "Klinik Ng dan Lee" after the transfer indicated that they had some rights to the name. Firstly as set out above, there are no rights to a name *per se* unless attached to goodwill. As we have seen, the goodwill has been transferred to the first plaintiff. These are the following statements in the decision of *I N Newman Ltd v. Richard T Adlem (supra)*:

> The work that the respondent did for the business he had sold, whether he was an employee or an independent contractor made no difference, did not and could not generate or reinforce any goodwill which belonged to him. To the extent that his name had been put forward to the public it had been put forward for the benefit and in association with the goodwill which he had assigned - a goodwill from which he was not at liberty to derogate.
>
> It was quite contrary to any concept of good faith if a person whilst acting as a consultant to a business he had previously assigned were to be regarded as building up an independent goodwill running concurrently with that of the assigned business so that when he finished as a consultant he could start a rival business under the same name as that attached to the goodwill he had sold. He would be undermining that which he had sold - the attractive force of the name which brought custom to the business.

[45] As could be seen, the defendants are doing precisely what has been frowned upon by the court in *I N Newman Ltd v. Richard T Adlem (sputa)*. If they were allowed to continue with the activities they would be undermining something which they had sold and that would be contrary to any concept of good faith.

[46] There is then the case of *Aubanel and Alabaster Ld v. Aubanel* 66 RPC 343. In that case, the defendant having the name *Aubanel* sold his business identified with reference to the name *Aubanel & Alabaster* to the plaintiff company. The defendant continued as Joint Managing Director and shareholder of the purchasing plaintiff company. Pursuant to differences that arose between the defendant and the plaintiff, the defendant left the plaintiff company and set up a competing business together with a certain Raymond Ian Henry Alabaster. The new business set up by the defendant carried the name *Aubanel and Alabaster*. The plaintiff applied for an injunction with various prayers, which included *inter alia*, an order restraining the defendant from carrying on a competing business under the name and style *Aubanel and Alabaster*. The defendant's contention was that he was merely using his name in the newly established business.

[47] The High Court (Chancery Division) in finding for the plaintiff and awarding the injunction had the following to state at p. 3:

> The law in regard to the position of the vendor of the goodwill of a business is reasonable clear, and the leading case is *Rego v. Hunt* [1986] AC 7. The vendor may set up a competing business, but he may not solicit the customers of the business of which he has sold the goodwill and so deprive the purchaser of the benefit of that which he has bought.

The court further held as follows at p. 4:

> I am far from satisfied that the use of the name adopted by the defendants was *bona fide*.

[48] There are many parallels with the present case. Here too the defendants have sold their business to firstly K&V Sdn Bhd and subsequently to the first plaintiff. They continued to practise in the business as consultants. Further, there was an agreement not to compete, which the defendants had executed with the second plaintiff. Despite this, the defendants went out and set up "Ng-Lee Medical Centre". The fact that "Ng-Lee Medical Centre" operated out of the same premises previously occupied by the first plaintiff is a clear attempt on the part of the defendants to take unfair advantage and solicit the customers and patients of the business of which they had sold the goodwill. This clearly should not be permitted as it would in effect frustrate the very property that the defendants had sought to transfer to the plaintiffs.

[49] Flowing from that issue, the next thing to consider would be whether there would be confusion and deception arising of the use of "Ng-Lee Medical Centre" by the defendants. In fact the defendants have not denied the fact that "Ng-Lee Medical Centre" is confusingly and deceptively similar to "Klinik Ng dan Lee". This can be concluded from the stand that the defendants are taking as set out in the Ng's Affidavit. The defendants have taken the stand that they are fully entitled to use the name "Ng and Lee" as it represents their names. They have gone on to state that it is the plaintiffs acts of continuing to use the names "Ng dan Lee" which tantamount to passing-off. We have seen with reference to the cases above that pursuant to the transfer of the business, it is the plaintiffs and not the defendants that have rights to the name "Ng and Lee". However what is important from the position that the defendants have taken is that they have not denied but rather acknowledged that "Ng-Lee Medical Centre" is confusingly and deceptively similar to "Klinik Ng dan Lee". Despite these acknowledgements, the court will move on to

consider the criteria in deciding if actionable misrepresentation in the form of confusion and deception is present. The various authorities set out below are certainly of great assistance.

[50] It is important to note that the probability of confusion as opposed to actual confusion would suffice to show that misrepresentation is present. This was held by Russell LJ in the case of *Annabel's (Berkeley Square) Limited v. G. Schock (trading as Annabel's Escort Agency)* [1972] RPC 838. The facts of that case are of some relevance here and can be briefly summarised in the following manner:

The plaintiffs in that case were the proprietors of the well known Annabel's Club in London. The defendants subsequent to the date of operation of the plaintiffs' Annabel's Club set up an escort agency under the name "Annabel's Escort Agency". The plaintiffs' applied for an interlocutory injunction which was subsequently granted by the High Court. The defendants appealed to the Court of Appeal. In dismissing the appeal, Russell LJ had this to say at p. 844:

> In this question of confusion of course, as a matter of common sense one of the important considerations is whether there is any kind of association, or could be in the minds of the public any kind of association, between the field of activities of the defendant.

His Lordship further held that the "probability of confusion as opposed to actual confusion is sufficient".

[51] The importance of the finding in the case of *Annabel v. Schock (supra)* could be seen in the following ways:

i. likelihood of confusion as opposed to actual confusion would be sufficient.

ii. Passing-off could be sustained if there was a possibility of association.

[52] In the present case, misrepresentation of the defendants can be seen when they set up a competing practice, which is identified with reference to "Ng-Lee Medical Centre". This name is obviously confusingly and deceptively similar to the name of the first plaintiff's business identified with reference to the name "Klinik Ng dan Lee" which the plaintiffs had acquired having paid good

money for it. There is obviously at the very least a probability of confusion and deception and certainly an association created in the minds of the public that the plaintiffs and the defendants are associated when in actual fact, no such association exists at the material time when the suit was filed. Certainly the defendant's activities are the classic form of passing-off their services as related and associated with the plaintiffs. This is further compounded by the fact that the defendants are operating out of the same premise previously occupied by the first plaintiff.

[53] In the case of *F.W. Woolworth & Co Ld v. Woolworths (Australasian) Ld.* [1930] RPC 337 an injunction was granted because of the inevitable association which would have resulted from the usage by the defendants of the name "WOOLWORTHS" which was associated with the plaintiffs. In the present set of facts, as "Klinik Ng dan Lee" is synonymous with the plaintiffs, any usage of a similar trade name would result in the trade and public assuming an association between the defendant and the plaintiffs when no such association exists. Here the defendants have employed the name "Ng-Lee Medical Centre", which without a doubt is associated with the plaintiffs.

[54] Finally the plaintiffs has to establish that this use by the first defendant of their offending trade name was calculated to injure the goodwill and reputation of the plaintiffs and has caused them damage. There is no doubt that the defendants had committed this. They have set up a competing business when they have agreed clearly not to do so. After having received more than adequate consideration for the sale of the business to the first plaintiff, the defendants had the cheek to continue with their operation in complete and flagrant disregard to the rights of the plaintiffs.

Damages

[55] On the issue of damages, although proving actual damage is a requirement, this requirement is dispensed when the businesses are in direct competition. (See: Seet *Chuan Seng (supra)*. From the evidence tendered, which is not disputed, it is clear that the business of the plaintiffs and the defendants appeal to the same class of consumers. Both the businesses are in direct competition to each other.

A **Whether The Plaintiffs Could Hold Ownership in the Practice Identified With Reference to "Klinik Ng dan Lee"**

[56] The defendants' main contention in their defence is that the Plaintiffs being a body corporate cannot hold ownerships of clinic
B under the various provisions of the Private Healthcare Facilities and Services Act 1998 (PHFSA) and the Medical Act 1971.

[57] In answer to this question, it would be important to go back to the evidence which have not been disputed and rebutted. This
C is set out as follows:

(i) The defendants initially set up the practice identified under the name and style "Klinik Ng dan Lee" in the 1970s. This business was transferred to K&V Sdn Bhd. Up to this stage there has been no dispute by the defendants that the business
D has been transferred to K&V Sdn Bhd. The defendants tried to put some gloss to this by suggesting that the rights to the name were retained by the defendants whereas the revenues generated by the practice were to be provided to K&V Sdn Bhd. As K&V Sdn Bhd was to obtain the benefits of the
E practice, there can be no other finding other than to conclude that the practice had been transferred to them with an intention that they (K&V Sdn Bhd) were to own it. There is further no dispute that the business transferred was the business identified with reference to the name and style "Klinik
F Ng dan Lee".

(ii) K&V Sdn Bhd then transferred the business to the first plaintiff together with the goodwill and reputation attached to the said business. This is evidenced by the Sale of Business
G Agreement (SBA) dated 14 April 2000 which was annexed as exh. KD-2 of the Affidavit of Karim affirmed on 9 August 2007. If the SBA is considered, the transfer included the goodwill, name, stocks and fixed assets. It is also important to highlight that the first defendant was a signatory to this
H agreement. This too is not disputed by the defendants.

(iii) Various shareholders agreements were entered between the second plaintiff and the defendants where sums in the tune of more that RM5,000,000 were transferred from the plaintiffs to
I the defendants. Up to this stage, it is important to highlight that the defendants never complained over the fact that the plaintiffs being a body corporate owned the clinic or could take the benefits from the clinic.

(iv) Having pocketed the sum in excess of RM5,000,000, the defendants are now suggesting that the plaintiffs do not have rights to the goodwill and the name of the business identified with reference to "Klinik Ng dan Lee". They claim the presence of a collateral contract and various provisions in the Private Healthcare Facilities and Services Act 1998 (PHFSA) and the Medical Act 1971 to support their contentions.

[58] The above facts only point to only two possible conclusions which are as follows:

(i) there was a clear agreement between the parties that the goodwill and reputation attached to the business identified with reference to the name "Klinik Ng dan Lee" was transferred to the plaintiffs;

(ii) the defendants intention was to all along defraud the plaintiffs. If they had no intention of transferring the business which included the goodwill and reputation, why then pocket the sum of RM5,000.000?. The defendants have offered no explanation as to what this consideration was for. None can be offered as the SBA clearly states that the goodwill and name had been transferred.

If the court is swayed by the defendants' contention, it would in effect be condoning these acts of the defendants and preventing the plaintiffs from seeking to benefit from their investment. After pocketing the consideration, the defendants are unfairly stating that the entire transaction (which they were parties to) is wrong.

[59] The defendants in their submissions have first stated that by reference to s. 20 of the Medical Act 1971, only registered medical practitioners can practice medicine. The court has no issue with that and is in full agreement with the contentions so raised. Clearly a body corporate which is an artificial entity created by the Companies Act 1965 cannot treat and dispense medicine to patients. However there is nothing in s. 20 of the Medical Act 1971 to state that a body corporate cannot own a clinic nor is there a prohibition on body corporate from employing registered medical practitioners to practice there.

[60] Then the defendants sought to suggest that the plaintiffs are prohibited from any claim of consideration for services rendered as a medical practice. This is a proposition that has no foundation in law whatsoever. Nowhere in the Medical Act 1971 is there such

A a prohibition. In fact the defendants themselves have accepted that a body corporate could receive consideration for the provision of medical services. Paragraph 3.2(a) of Ng's affidavit affirmed on 2 October 2007 clearly stated as follows:

B > … The second defendant and I caused to be paid all revenues from Klinik Ng dan Lee to K&V Sdn Bhd.

[61] There is no dispute that K&V Sdn Bhd is a body corporate and there is admission that the defendants caused all revenues from the practice to be paid to K&V Sdn Bhd. For the C defendants to now suggest that a body corporate cannot claim consideration for the provision of private healthcare services is in complete disregard to what they have done and what has been the accepted practice in the medical profession. While the court would not raise issue with the fact that registered medical D practitioners should practice at the clinics, there is nothing in the Medical Act 1971 to prohibit body corporate from owning the practice. The defendants have not produced nor shown any legal provision, which suggests otherwise. On the contrary, the defendants by selling their business to K&V Sdn Bhd and then E being involved in the transfer of the business to the first plaintiff have acknowledged that a body corporate could own a private medical clinic. The defendants have sought to put gloss on this issue by suggesting that there was no intention to transfer the business to K&V Sdn Bhd. This cannot be supported on the F facts. It is clear from the assertions in Paragraph 3.2(a) of Ng's affidavit affirmed on 2 October 2007 that:

> … The second defendant and I caused to be paid all revenues from Klinik Ng dan Lee to K&V Sdn Bhd.

G **[62]** If the business was not transferred why was the revenue received from the business paid to K&V Sdn Bhd? No explanation has been given and one cannot only assume based on this fact and events that occurred subsequently that the business had been transferred to K&V Sdn Bhd.

H **[63]** The defendants then went on to rely on the PHFSA to mount their contention that no person could establish, maintain, operate or provide a private medical clinic unless registered under the said Act. Then the defendants suggested that such certificate I would only be issued to medical practitioners. With this too the court has no issue. In fact if exh. KD-11 of the Karim's affidavit

affirmed on 19 October 2007 is examined, the application for registration is indeed made by a registered medical practitioner in the form of Mahathir Mohd Nordin. However it is important to highlight from KD-11 that the form makes provision for ownership of the business under cl. 9 and this owner is the first plaintiff. Clearly, the form would be set out in a different manner if ownership of a body corporate is not envisaged.

[64] Then the court turns to exh. KD-12 of Karim's affidavit affirmed on 19 October 2007, which clearly illustrates the point that the defendants are trying to mislead the court. This is a registration certificate for a private medical clinic issued to a certain Sudanthira Kumar a/l Rengasamy. If the certificate is considered in greater detail it is clear that a body corporate is the entity that owns the practice. The court must stress that a clear distinction should be made between the owner of the clinic and the person practicing in the clinics and to whom the license has been issued. Clearly only doctors can practice in the clinics. They are individuals who would be dealing with the patients as surely a body corporate could not physically do so. However the court is of the view that while a registered medical practitioner would be dealing with the patients, there is nothing in law to prohibit a body corporate from owning the practice as evidenced in KD-11 and KD-12. The format of the relevant forms and the issuance of the certificate is clear evidence that the certificate issued by the Ministry of Health provides for the ownership of a private medical clinic by a body corporate.

[65] Turning to the status of the defendants in the business identified with reference to the name and style "Klinik Ng dan Lee", it is the court's finding that when the defendants left the practice, their positions were that of employees. The defendants themselves have acknowledged their positions by firstly accepting a salary. The evidence of Ng's affidavit (affirmed on 2 October 2007) is considered also shows that the first defendant further filed a claim for unjust dismissal against the first plaintiff (exh. NSK-8). By doing so the defendants have accepted their positions in the business as that of employees as only an employee can file an action for unjust dismissal. If they are employees and if the first defendant had filed an action for unjust dismissal against the plaintiffs, it only points to the direction of an acknowledgement that the plaintiffs are their employers and the owners of the practice.

[66] The various alleged offence of the PHFSA and the Medical Act 1971 stipulated and set out by the defendants clearly show desperation on their part. Firstly they are not the enforcers of the relevant Acts. Secondly if the said Acts are considered, there are no breaches of the Acts. The court shall first consider the allegation of s. 20 of the Medical Act 1971. The doctors employed by the plaintiffs and practicing in the clinic are firstly practicing on their right. They owe responsibilities to the patients in their own right. Needless to say, this does not affect their employment status. This is a fact that has been acknowledged by the defendants when they accepted that they were in the employ of the plaintiffs. In fact the first defendant further filed an action for unfair dismissal. The defendants are thus singing a different tune to fit their needs as and when it arises. They pocketed the consideration sum of RM5,000,000 for the sale of the practice. The first defendant then obtained the sum of RM70,000 as *ex gratia* payment presumably for alleged unfair dismissal from the plaintiffs. Then they argue that the plaintiff cannot in their corporate capacity employ doctors to practice in the clinics that they own. This is clearly inconsistent with assertions that the defendants are making. It is clear for the above said reasons that there has been no infringement of s. 20(7)(d) of the Medical Act 1971.

[67] *Vis a vis* s. 33(1)(f) of the same Act, the court is of the view that never did the plaintiffs represent that they were practicing medicine in their corporate capacity. All they are saying is that they owned the practice. Registered medical practitioners were employed to practice in the said clinic and there is nothing in law, which prohibits such an arrangement. This is in fact acknowledged by KD-11 and KD-12.

[68] In any event enforcement of offences under the PHFSA and the Medical Act 1971 is in the hands of the Ministry of Health. As can be seen, even the Ministry of Health have seen it fit to issue the licences which identify the owner as a body corporate. This is clearly set out in KD-11 and KD-12. If the court were to deny the plaintiffs's claims on this basis, it would result in making a finding to the effect that licences issued by the Ministry of Health are wrong and this would fundamentally affect and shift the provision of private healthcare services via clinics.

[69] That being the case the Defendants' argument that the SBA is void under s. 24, Contracts Act 1950 does not hold water. In relation to this issue, the court would like to draw the defendants attention to the fact that, if the SBA is void, the other agreements which regulate the shareholders and provide for consideration to the defendants pursuant to the SBA would be equally void. This being the case, the defendants would have no option but to return the consideration sum which stands in excess of RM5,000,000. This the defendants do not seem to be willing to accept which makes their contention *vis a vis* s. 24 preposterous not to mention unkind. On one breath they say that the agreement is void. But on the other breath, they have no problems whatsoever pocketing the RM5,000,000 that they have received from the plaintiffs pursuant to the same agreement. The defendants seem to be wanting the cake and eating it as well.

Breach Of Contract (Section 28, Contract Act 1950)

[70] The defendants further claim that the SBA, an agreement in restraint of trade is void under s. 28, Contract Act 1950.

[71] Section 28 provides that every agreement by which any one is restrained from exercising a lawful profession, trade or business of any kind, is to that extent void.

[72] Clause 11, of the SBA provides in summary that the defendants should not be engaged in whatever capacity in any business which is in competition with the plaintiffs. The clause further states that these obligations would survive for a period of three years after the termination of the said agreement.

[73] The Shareholders Agreement was superseded by the Sale and Purchase of Shares Agreement dated 27 September 2005. This new agreement is set out in exh. KD-5 of Karim's affidavit. Despite this, the terms in cl. 11.0 is preserved by virtue of cl. 12 of the Agreement of 27 September 2005 read together with cl. 11.0 of the Shareholder Agreement of 14 April 2000 as set out in exh. KD-2 for a period of 3 years from 27 September 2005. It is thus clear from the provisions therein that the defendants are restrained from engaging in any business which is in competition with the business the first and/or second plaintiff or any related company whether as a shareholder, partner, consultant, employee or in whatsoever capacity.

[74] The defendants may well argue that this is an agreement in restraint of trade and relying on the provisions of s. 28 of the Contracts Act 1950 state that this clause is void. However it is important to observe that there was a sale of business with goodwill. The evidence is also clear on the issue that the plaintiffs have carried on the business that they had acquired. This would bring the facts within one of the exceptions (Exception 1) envisaged by s. 28 of the Contracts Act 1950.

[75] Under Exception 1, one who sells the goodwill of a business may agree with the buyer to refrain carrying on a similar business, within specified local limits, so long as the buyer, or any person deriving title to the goodwill from him, carries on a like business therein:

Provided that such limits appear to the court reasonable, regard being had to the nature of the business.

[76] In the present case, the court is satisfied that such restraint or limitation imposed on the defendants under the SBA is reasonable having regard to the nature of the business. Therefore the defendants argument on this issue is without merit.

Prayer 2 - Mandatory Injunction

[77] The plaintiffs are further seeking a mandatory interlocutory injunction. This is stated in prayer 2 of the Summons in Chambers (encl. 4). Essentially, the plaintiff requires the defendant to take positive steps to remove the signage outside the premises that they occupy and remove all references to "Ng-Lee Medical Centre". Case law has suggested that such relief can be granted although the Plaintiff must show to the court that in all likelihood the injunction would be granted at trial. In the case of *Fletcher Challenge Ltd v. Fletcher Challenge Pty Ltd & Others* [1981] 1 NSWLR 196 the defendant incorporated a company in the name of Fletcher Challenge Pty Limited in full knowledge of a merger between Fletcher Holdings Ltd and Challenge Corporation Limited. Although there was much publicity surrounding the merger, the official announcement of the merger was made on 22 October 1980. On 23 October 1980, the defendant reserved the name Fletcher Challenge Pty Limited. The court allowed the application by the plaintiffs for the mandatory interlocutory injunction for the defendant to take steps to change their name as to ensure that there were no references to the Plaintiff.

[78] The facts of the present case are even more straightforward than that presented in the *Fletcher Challenge* case. Here the Defendants had blatantly and flagrantly used a trade name, which is associated exclusively with the plaintiffs. Unlike the *Fletcher Challenge* case, the plaintiffs in this case had already been using the trade name in Malaysia at the time the defendants set up their competing business. In fact by virtue of the previous agreements between the plaintiffs and the defendants, the defendants should have well known that their actions were and would be objectionable. In the premises, it would appear that the plaintiffs on the undisputed evidence have shown that there is a strong chance of success at trial. This is over and above the test required under *American Cyanamid.*

Balance Of Convenience

[79] Various factors are taken into account when deciding on the balance of convenience and as stated by Lork Diplock in *American Cyanamid (supra)*, this would vary from case to case. Ultimately however as this is an equitable remedy, the court should be mindful that the remedy must produce a just result. Reference can though be made to previous cases and precedents for guidance.

[80] In *Hunter Douglas Industries BV & 3 Ors v. Lim Hong Joo Sdn Bhd and Johnny Maing (trading as YODO Industries) & 10 Ors* [1991] 1 CLJ 750 there was an application for an interlocutory injunction for Trade Mark Infringement and Passing-Off, the learned Haidar J (as his lordship then was) held the following factors to be relevant in deciding the balance of convenience, namely:

(i) first in time.

(ii) who has dominant positions in the market.

(iii) quality of the products of the respective parties.

[81] In the present case, it is clear and undisputed that "Klinik Ng dan Lee" preceded "Ng Lee Medical Centre". "Klinik Ng dan Lee" by virtue of their long presence also held the dominant position in the market and had been a quality provider of health care services for a long period of time. This in fact is not disputed by the defendants. In fact, they never complained about it but rather promoted this when they received their generous consideration for the transfer of the business to the first plaintiff.

A It is also trite law that the assignee (the plaintiff) would assume the position of the assignor (first the defendants and then K&V Sdn Bhd) and thus the plaintiffs would acquire all the goodwill and reputation generated by the assignor.

B **[82]** As a matter of fact, "Klinik Ng dan Lee" was acquired from a company, which was fully owned by the defendants. Clearly this puts the balance of convenience heavily in favour of granting the injunction. The defendants had only recently set up their business after having received substantial compensation from the plaintiffs C for the sale of the business identified under the name and style "Klinik Ng dan Lee". Surely, they should not have the licence to operate until trial.

[83] Based on the above, the balance of convenience lies heavily D in favour of granting the interlocutory injunction. The granting of the injunction would preserve *status quo* until the matter is finally dispensed with at the trial. The plaintiffs' long established reputation and goodwill will be preserved and prevented from being dissipated with the grant of the interlocutory injunction. The E reputation and goodwill established as a result of the quality of the plaintiff's services would further not be lost and their position in the market they had established through long standing presence would not be unlawfully appropriated.

Adequacy Of Damages

F

[84] In considering whether damages are adequate remedy for the plaintiff, the fundamental principle is:

> Is it just, in all the circumstances that a plaintiff should be confined to his remedy is damages?" per Sachs LJ in *Evans* G *Marshall & Co. Ltd v. Bertola SA* [1973] 1 All ER.

[85] The question would thus be whether the plaintiffs would adequately be compensated by damages. Damages in passing-off have been held to be notoriously difficult to quantify. (*Sodastream* H *v. Thorn Cascade Co Ltd & Another* [1982] RPC 459. Further the loss of goodwill and reputation suffered by the plaintiff cannot be quantifiable or compensated easily by damages.

[86] As the plaintiffs would not be adequately compensated by I damages, the next question to consider is whether should the defendant succeed at trial, would they be adequately compensated by the plaintiffs' undertaking in damages. Here, with the waiver of

prayer 1(b), the only loss the defendants would possibly suffer is their inability to conduct their business carrying the name and style "Ng-Lee Medical Centre" or any other confusingly or deceptively similar name. They would be free until trial to continue with their practice of medicine provided the business that they would be running would carry a name and style, which could be distinguished from that of the plaintiffs. This is clearly more than fair to the defendants and they would be allowed to practice until final determination of the matter after trial despite their agreement not to compete with the plaintiffs.

[87] On the other hand, if the injunction is not granted, there would be irreparable loss to the plaintiffs particularly after they had paid the defendants handsomely for the business. They would be left in the cold and having to face competition from the defendants, who may be using as capital the very consideration that they had received from the plaintiffs. Surely the plaintiffs' own money should not be used as a tool to damage their business. And as stated above, damages in passing-off action are notoriously difficult to quantify.

[88] It is important to bear in mind that the defendants had made the conscious choice when they sold their business to the plaintiffs. After profiting from the sale, how can they now argue that they should be allowed to continue with their business carrying a name and style which was confusingly and deceptive similar to that of the plaintiffs.

[89] Further, from the audited accounts of the first plaintiff as set out in KD-10 it is clear that the first plaintiff has a huge turnover. This amount would clearly be able to satisfy any claim in damages that the defendants would suffer should the plaintiffs succeed now and fail at trial. The defendants on the other hand have not tendered any evidence to show that they are in a position to pay the plaintiff if they succeed now and fail at trial.

Conclusion

[90] In conclusion, the facts clearly point towards the granting of the prayers sought for by the plaintiffs. In summary the court's findings are as follows:

(i) That the business identified with reference to the name and style "Klinik Ng dan Lee" had been transferred by the defendants to K&V Sdn Bhd. This included the transfer of

A the goodwill in the business. As revenues generated from the business, was caused to be paid to K&V Sdn Bhd (on the admission of the defendants), it is clear that ownership had passed to K&V Sdn Bhd.

B (ii) The alleged collateral contract mentioned by the defendants cannot be shown on the facts. There is no evidence other than bare assertions by the defendants. In any case, the facts do not support such a contention and the defendants have acted in a manner which is inconsistent with the alleged C collateral contract. They are thus estopped from relying on the existence of any alleged collateral contract.

(iii) The business was transferred from K&V Sdn Bhd to the plaintiffs. A sum in the tune of more than RM5,000,000 was paid to the defendants as reflected in the various shareholders D agreements. The agreements also show that the goodwill and name had been transferred to the plaintiffs. After pocketing this consideration, the defendants cannot now state that the agreements were void or did not include the transfer of the business as this is clearly reflected in the various agreements E entered into between the parties.

(iv) Even if the defendants were not parties to the SBA in their personal capacities, the first defendant at least was a signatory to the said agreement. The evidence further indicated that F both defendants acted in a manner consistent with the said agreements. In fact there were acknowledgements that they were employees in the business identified by reference to the name and style "Klinik Ng dan Lee". These acknowledgements took the form of the acceptance of salaries as well as the G claim by the first defendant for alleged unjust dismissal. The doctrine of promissory estoppel would apply and the defendants would be estopped from stating that the ownership in the business had not passed to the plaintiffs.

H (v) The provisions of the Medical Act 1971 and the PHFSA do not prohibit body corporate from owning clinics. While registered medical practitioners should practice in the said clinic and the licences are issued under such names, there is nothing in law, which prohibits body corporate from owning I private medical clinic. This is firstly supported by the acts of the Ministry of Health in allowing such ownership as reflected

in exhs. KD-11 and KD-12. Then there is acknowledgement on the part of the defendants that the practice identified with reference to the name and style "Klinik Ng dan Lee" had been transferred to the plaintiffs. This took the form of the acceptance of salaries from the plaintiffs as well as the claim by the first defendant for alleged unjust dismissal.

[91] At the end of the day, at this stage, the court need not go into the merits of the case. All the court needs to consider is whether there are serious issues to be tried. This had been shown amply on the facts. The court then is faced with the consideration as to where the balance of convenience lies.

[92] The balance of convenience lies heavily in favour of granting the interlocutory injunction. The granting of the injunction would preserve *status quo* until the matter is finally dispensed with at the trial. The plaintiffs' long established reputation and goodwill will be preserved and prevented from being dissipated with the grant of the interlocutory injunction. The reputation and goodwill established as a result of the quality of the plaintiff services would further not be lost and their position in the market they had established through long standing presence would not be unlawfully appropriated. It is further important to bear in mind that a substantial sum was paid for the business by the plaintiffs and pocketed by the defendants.

[93] The prejudice to the defendants on the other hand would be minimal. As the plaintiffs have waived prayer 1(b) for the purposes of this application, the defendants would be free to continue with their business carrying a different name and style, which could be distinguished from "Klinik Ng dan Lee". The defendants might argue that this would cause significant inconvenience to them. However this is answered simply as follows: The defendants had received a handsome consideration for the sale of the business. They, as the plaintiffs saw value in the business identified with reference to the name of style "Klinik Ng dan Lee", which explains the consideration paid for the goodwill. By accepting the consideration and executing the agreements, they had accepted that the goodwill had been transferred to the benefit of the plaintiff. They have thus assigned those rights firstly to K&V Sdn Bhd and subsequently to the plaintiffs.

[94] If the injunction were not granted, it would result in the defendants pocketing the consideration and then acting in a manner completely inconsistent with what they had agreed all along. If allowed to continue until trial it would result in allowing the defendants to further damage the goodwill and reputation of the plaintiffs with the very money that they had received from the plaintiffs. Thus in short, any alleged or perceived inconvenience that the defendants may suffer has been more than adequately compensated by the RM5,000,000 they had received from the plaintiffs.

[95] If the injunction is not granted, it would further result in very important Intellectual Property rights being disregarded after the plaintiffs had paid a significant consideration for it. It would further preserve *status quo* pending the final determination of this matter after trial.

[96] In light of the above, the court exercises its discretion in the plaintiffs favour and order in terms of the application (encl. 4) with the exception of prayer 1(b) with costs.